



STATE OF WASHINGTON

## PUBLIC EMPLOYEES BENEFITS BOARD

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### **Meeting Minutes**

August 6, 2002

1:00 p.m.

#### **Members Present:**

Stephen Brown  
Greg Devereux  
Sally Fox (by telephone)  
Eugene Lux  
Gary Robinson  
Richard Rubin

Yvonne Tate  
Helen Carlstrom  
Ida Zodrow, Chair

#### **Call to Order**

Ida Zodrow, Chair, called the meeting to order at 1:03p.m. and asked Board members to introduce themselves.

The Chair reminded members of the public that they can view meeting agendas, meeting minutes and up-to-date notices on meeting changes on the website at:

<http://www.wa.gov/hca/pebb/board.htm>.

#### **Approval of April 23, 2002 PEBB Meeting Minutes**

**It was moved and seconded to adopt the draft minutes of the April 23, 2002 PEBB meeting. The motion passed unanimously.**

The Board was advised that they would be presented with four items to consider for ratification: benefit changes for managed health plans and the Uniform Medical Plan, the level of employee contributions, and the retiree subsidy. Dr. Jeff Thompson, Medical Director; MaryAnne Lindeblad, Assistant Administrator for the PEBB; and Pam Martin will make presentations of the action items.

#### **Procurement Update**

Dr. Thompson explained that this has been a difficult year for health care purchasing. California increased their employees' rates by 25 percent, Oregon reduced the number of plans it offers to two, and national rates are skyrocketing. He explained how the PEBB used Value-Based Purchasing for the 2003 procurement ensuring that the products purchased provide the best value for our health care dollars. Plans were evaluated by a formula of 20 percent for quality, 30 percent access, and 50 percent price or affordability. Performance standards were also included in contracts helping us evaluate performance.

In her overview, MaryAnne Lindeblad explained that six of eight plans reported loss ratios in excess of 100 percent in 2001 (up from 2 of 9 in 2000). Experience trends exceeded rating trends used in developing 2002 premiums. As a result rates for 2003. Medical trends ranged from 7 to 25 percent compared to 7.5 - 17 in 2001. Prescription drug trends ranged from 16.1 to 30 percent compared to 15 - 22 percent in 2001. A Mercer Human Resource Consulting survey notes that of 312 commercial renewals (as of 7/15/02) reported an average increase of 22.1 percent. Milliman and Roberts also surveyed HMO's with commercial renewals and they project a 17 percent increase in 2003. A Hewitt & Associates survey identified a 2003 increase of 22 percent.

In California, the CalPERS plan is experiencing average increases in the range of 25 percent for plan year 2003. Their individual plan rate increases are between 15 to 40 percent. Additionally, CalPERS has lost two plans affecting 350,000 members and expects large increases in the self-insured (PPO) premiums (22% for PERSCare and 19% for PERS Choice).

The situation is similar in other states where initial premium increases range from 14 to 19 percent and include significant benefit reductions. After reviewing procurement results, the following changes were proposed:

**Proposed Benefit Changes, Employee Contributions, and Retiree Subsidy**

It is proposed to reduce the pharmacy benefit by 10 percent, use surplus of \$10 million in the health services account to hold co-pays at \$10, and add an additional \$10 million surplus to buy down the employees share of the premium, which on average will go \$41 to \$74 in 2003. The Medicare Retiree subsidy will change from \$84.84 to \$92.74. UMP members will actually see a reduction of 10 percent (they make up 46 percent of the enrollment).

**Proposed UMP Changes**

Pam Martin described proposed UMP benefit changes for 2003 which include; using an out-of-state provider network (4500 UMP enrollees live in or visit other states annually); standard coordination of benefits (COB); and a 10 percent prescription drug benefits decrease. Pharmacy benefit changes include: changing the Tier 2 formulary design from single-source brand name to formulary single-source brand name drugs and Tier 3 from multisource brand name drugs to non-formulary brand name and all multi-source brand name drugs. The retail prescription cost-share cap will increase from a maximum of \$75 for up to a 90-day supply to a maximum \$150, with no cap for Tier 3 drugs or prescriptions filled at nonparticipating pharmacies. The proposal eliminates coverage for over-the-counter drugs (i.e. prenatal vitamins, etc.), but brand name antihistamines (and antihistamine/decongestant compounds) will be covered in Tier 3 and generic antihistamines in Tier 1.

**Next Steps**

Ms. Lindeblad outlined the next steps:

- 2003 Open Enrollment is scheduled for October 21 through November 30
- The HCA will hold fewer (16) statewide benefit fairs and will extend hours for each from 11:00 a.m. to 6:00 p.m.
- The decision support tool will be updated for 2003
- All material for active employees will be available via the agency website. Active employees will be asked to make all changes on-line. Retirees and other self-pays will receive their material by mail.

Board member Greg Devereux asked for clarification about the reduction in benefit fairs. How many are being eliminated? Ms. Lindeblad answered that last year the PEBB held approximately 30 fairs, sometimes more than one fair at each location. This year, each location will only have one benefit fair. Following an additional question from Board member Stephen Brown, Ms. Lindeblad explained that budget, attendance, and cost drove the decision to reduce the number of fairs. She also noted that declining fair attendance maybe a result of the increased Internet use.

Board member Helen Carlstrom requested clarification about the Medicare retirees' subsidy reduction [from \$101 to \$90-93]. She asked how the subsidy was determined and whether it is connected to the surplus that will used to offset active employee premium costs? Pete Cutler, Assistant Administrator of Finance, Legal & Policy, explained that the Medicare retiree subsidy is determined by the Legislature and is not related to the surplus.

Board member Greg Devereux expressed his gratitude to the Health Care Authority for its efforts toward value-based purchasing. Mr. Devereux also expressed concern about the declining number of participating plans and increases to employees' share of the premium.

The following motions were presented to the board:

**A motion to adopt managed care medical benefit design changes (adjust enrollee copayments for retail and mail order prescription drugs) for 2003 was moved and seconded. The item was opened for discussion.**

**Discussion:**

Following a question from Board member Eugene Lux regarding possible alternatives, Ms. Lindeblad explained that the agency chose the options that was the least onerous for our enrollees.

Board member Greg Devereux observed that the Board could choose not to ratify the changes, but the alternatives may be worse.

**With no further discussion, the motion was approved.**

**It was moved and seconded to consider UMP benefit changes for 2003, including a proposal for the out of state network, coordination of benefits, incentive formulary design, retail and mail order cost sharing, and the changes to the enrollee cost-share cap. The item was opened for discussion.**

**With no further discussion, the motion was approved.**

**It was moved and seconded to consider proposed employee contributions at the state index rate of \$262.<sup>00</sup>. The item was opened for discussion.**

Discussion:

Board member Greg Devereux stated the average employee contribution is going from \$41 to \$74 and that he is concerned about the impact on employees. What is the total dollar amount that state employees collectively will have to pay? Ms. Lindeblad stated it would be about \$50 million.

**With no further discussion, the motion was carried.**

**It was moved and seconded to accept the retiree subsidy of \$92.74. The item was opened for discussion.**

Discussion:

Board member Helen Carlston commented that in July of every year, those who are 66 years of age and have been retired for one year have an increase in the monthly retirement check of maybe \$20-30. By the time they get to January with the premium increase for insurance and the increases in the prescription tier; and they are farther behind then they were before their raises. Ms. Carlston expressed her disappointment with not being able to keep the subsidy up in the \$101-102 range, but reluctantly would vote for the change.

**With no further discussion, the motion was carried.**

Ms. Zodrow thanked the Board for making these difficult decisions.

Ms. Zodrow announced that this would be the last Board meeting for MaryAnne Lindeblad. MaryAnne is moving to the Department of Social and Health Services' Medical Assistance Administration. A proclamation expressing the appreciation for all her hard work and service was presented to Ms. Lindeblad from the Board.

Ms. Lindeblad thanked the Board and staff.

Adjourn

*A motion to adjourn the meeting was seconded and carried.*



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Ida Zodrow

February 18, 2003

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Date